

Aqua America (WTR US)

Buy: Multi-utility creation – work-in-progress

- ◆ Peoples acquisition: completion now likely later in 2019 given regulatory progress; financing has been secured
- ◆ Texas: fair market value continues to drive water growth
- ◆ Maintain Buy rating; TP increased from USD41 to USD45.5

Peoples Natural Gas update (work in progress). On 11 June, 2019, Aqua America (Aqua), participated in a hearing of the Pennsylvania Public Utility Commission and filed a settlement agreement for the acquisition of Peoples Gas. Two of the parties (intervenor) to the case opposed the settlement because of a disagreement on the treatment of a small gas system. This means the acquisition is now anticipated to occur in the fall of 2019, later than Q2 as originally anticipated by Aqua. Aqua has already started to raise the cUSD2.5bn of equity to buy Peoples. It wants a sufficient equity cushion to maintain a 12-13% FFO/adjusted net debt ratio. Merger approval has already been received in W Virginia and Kentucky.

Texas adopts Fair Market Value legislation

On 12 June Aqua management commented that Texas had become the seventh state to adopt Fair Market Value legislation. This continues to be a key driver for the sales of regulated water systems (at an 'appraised value' at a premium to book value). In 2017 the American Society of Civil Engineers gave Texas a D+ rating for water and D rating for waste water. We think the combination of underinvested public health infrastructure with a mechanism for small cities to sell their systems at a premium to dedicated water companies underpins the strong attraction of US water stocks.

Maintain Buy rating with increased target price of USD45.5 from USD41: We value Aqua America via three methodologies: DCF, dividend yield and the average of a PE multiples and a SOP (rate-based) valuation. Taking the average of the three approaches gives us our target price of USD45.5 (previously USD41). In our DCF valuation, we have updated our assumption of beta from 0.60 to 0.58 which is in line with its market peers. In our multiples-based valuation, we have updated the multiples in line with the market peers. This results in an increase in PE multiple from 26.1x to 27.8x. Finally, in yield valuation, we reduce our yield from 2.25% to 2% which is in line with its peers. Overall, these changes lead to an increased TP of USD45.5 from USD41. Our TP implies 12.5% upside; we reiterate our Buy rating as we believe the combination of regulated investment and earnings growth is attractive.

Equities Water Utilities

United States



MAINTAIN BUY

TARGET PRICE (USD)

45.50

PREVIOUS TARGET (USD)

41.00

SHARE PRICE (USD)

40.45

(as of 26 Jun 2019)

UPSIDE/DOWNSIDE

+12.5%

MARKET DATA

Market cap (USDm)	8,727	Free float	100%
Market cap (USDm)	8,727	BBG	WTR US
3m ADTV (USDm)	131	RIC	WTR.N

FINANCIALS AND RATIOS (USD)

Year to	12/2018a	12/2019e	12/2020e	12/2021e
HSBC EPS	1.08	1.50	1.59	1.65
HSBC EPS (prev)	-	-	1.58	1.66
Change (%)	-	-	0.6	-0.6
Consensus EPS	1.41	1.46	1.56	1.66
PE (x)	37.6	27.0	25.4	24.6
Dividend yield (%)	2.1	2.3	2.4	2.6
EV/EBITDA (x)	24.0	22.1	16.8	16.3
ROE (%)	9.7	12.9	11.6	8.5

52-WEEK PRICE (USD)



Source: Refinitiv IBES, HSBC estimates

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This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

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Financials & valuation: Aqua America

Buy

Financial statements

Year to	12/2018a	12/2019e	12/2020e	12/2021e
Profit & loss summary (USDm)				
Revenue	838	905	1,906	2,003
EBITDA	470	525	815	864
Depreciation & amortisation	-147	-160	-237	-260
Operating profit/EBIT	323	365	578	604
Net interest	-147	-84	-158	-170
PBT	178	281	420	434
HSBC PBT	176	281	420	434
Taxation	14	-14	-21	-22
Net profit	192	267	399	412
HSBC net profit	192	267	399	412
Cash flow summary (USDm)				
Cash flow from operations	369	340	675	676
Capex	-496	-500	-770	-770
Cash flow from investment	-640	-500	-5,045	-770
Dividends	-151	-162	-247	-267
Change in net debt	439	322	2,118	361
FCF equity	-176	-160	-95	-94
Balance sheet summary (USDm)				
Intangible fixed assets	53	53	928	928
Tangible fixed assets	6,718	7,058	10,991	11,501
Current assets	144	105	191	199
Cash & others	4	4	4	4
Total assets	6,961	7,262	12,156	12,674
Operating liabilities	1,546	1,420	1,545	1,558
Gross debt	2,564	2,886	5,003	5,364
Net debt	2,560	2,882	5,000	5,361
Shareholders' funds	2,009	2,114	4,765	4,910
Invested capital	5,365	5,792	10,561	11,067

Ratio, growth and per share analysis

Year to	12/2018a	12/2019e	12/2020e	12/2021e
Y-o-y % change				
Revenue	3.5	8.0	110.6	5.1
EBITDA	1.0	11.7	55.2	6.0
Operating profit	-1.8	12.9	58.4	4.5
PBT	-30.5	57.5	49.5	3.3
HSBC EPS	-20.0	39.4	6.3	3.3
Ratios (%)				
Revenue/IC (x)	0.2	0.2	0.2	0.2
ROIC	6.8	6.2	6.7	5.3
ROE	9.7	12.9	11.6	8.5
ROA	4.5	5.1	5.8	4.7
EBITDA margin	56.1	58.0	42.8	43.1
Operating profit margin	38.6	40.3	30.3	30.1
EBITDA/net interest (x)	3.2	6.2	5.2	5.1
Net debt/equity	127.4	136.4	104.9	109.2
Net debt/EBITDA (x)	5.4	5.5	6.1	6.2
CF from operations/net debt	14.4	11.8	13.5	12.6
Per share data (USD)				
EPS Rep (diluted)	1.08	1.50	1.59	1.65
HSBC EPS (diluted)	1.08	1.50	1.59	1.65
DPS	0.85	0.91	0.99	1.07
Book value	11.29	11.88	19.04	19.62

Valuation data

Year to	12/2018a	12/2019e	12/2020e	12/2021e
EV/sales	13.5	12.8	7.2	7.0
EV/EBITDA	24.0	22.1	16.8	16.3
EV/IC	2.1	2.0	1.3	1.3
PE*	37.6	27.0	25.4	24.6
PB	3.6	3.4	2.1	2.1
FCF yield (%)	-2.0	-1.8	-1.1	-1.1
Dividend yield (%)	2.1	2.3	2.4	2.6

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2018a	Governance Indicators	12/2018a
GHG emission intensity*	[n/a]	No. of board members	9
Energy intensity*	[n/a]	Average board tenure (years)	8.2
CO ₂ reduction policy	Yes	Female board members (%)	33.3
Social Indicators		Board members independence (%)	88.9
Employee costs as % of revenues	[n/a]		
Employee turnover (%)	[n/a]		
Diversity policy	Yes		

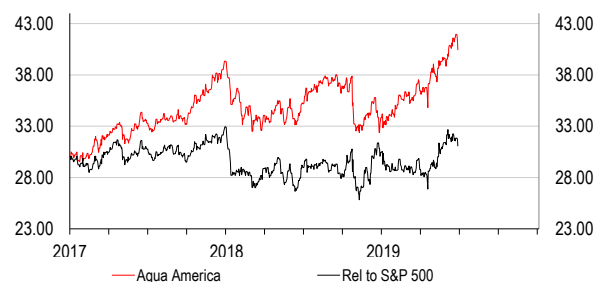
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (USD)	40.45	Free float	100%
Target price (USD)	45.50	Sector	Water Utilities
RIC (Equity)	WTR.N	Country	United States
Bloomberg (Equity)	WTR US	Analyst	Verity Mitchell
Market cap (USDm)	8,727	Contact	+44 20 7991 6840

Price relative



Source: HSBC

Note: Priced at close of 26 Jun 2019

Multi-utility creation: work-in-progress

- ◆ Peoples Natural Gas acquisition: completion now likely later in 2019 given regulatory progress; financing has been secured
- ◆ Fair market value continues to drive water growth: Texas now added to the states adopting the legislation
- ◆ Maintain Buy rating; TP increased from USD41 to USD45.5

Investment summary

Aqua America (Aqua) targets regulated asset growth of c7% through to 2021 in its water and wastewater business, supplemented by a strong pipeline of acquisitions of municipal water and wastewater systems. The majority of the states in which Aqua operates are either moving or have already moved to Fair Market Value (FMV), which allows municipalities to sell assets at an appraised value which is generally higher than book value. This 'fair' valuation offers attractive proceeds to a municipality and the ability for Aqua to earn returns on a fairly revalued rate base.

Other regulatory mechanisms, such as infrastructure surcharges allowing annual increases in rates for pipe replacement and the use of future test years in rate cases, are positive steps in removing the regulatory lag and smoothing out the time between rate cases. These changes are helping Aqua to improve the stability of revenues and allow it to accelerate investment.

The recent acquisition of Peoples Natural Gas Company, which is intended to diversify earnings into faster growing gas distribution, has increased the certainty of short-term growth. The high rate base growth (8-10%), once fully integrated, should drive short-term growth.

From a larger base and with organic growth planned in gas, accelerating water acquisitions of a larger size should maintain the 70:30 water to gas mix, which investors believe is an attractive balance of businesses.

Because of these factors we maintain our Buy rating on the stock with a target price of USD45.5.

Latest regulatory developments

On 11 June, 2019, Aqua participated in a hearing of the Pennsylvania Public Utility Commission and filed a settlement agreement for the acquisition of Peoples Gas. Two of the parties (intervenor) to the case opposed the settlement because of a disagreement on the treatment of a small gas system. This means the acquisition is now anticipated to occur in the fall of 2019, later than Q2 as originally anticipated by Aqua. Aqua has already started to raise the cUSD2.5bn of equity to buy Peoples. It wants a sufficient equity cushion to maintain a 12-13% FFO/adjusted net debt ratio. Merger approval has already been received in W Virginia and Kentucky.

PA rate case updates: Aqua's water and gas businesses have both filed for rate increases in their 'home' state of Pennsylvania (PA). It is the first time the company is using the fully projected future test year ending October 2020 for these. New rates are expected to go into effect in the fall 2019. Fair Market Value legislation continues to be a driver for the sales of regulated water systems (at an 'appraised value' at a premium to book value).

Texas adopts Fair Market Value legislation

On 12 June Aqua management commented that Texas had become the seventh state to adopt Fair Market Value legislation. This continues to be a key driver for the sales of regulated water systems (at an 'appraised value' at a premium to book value). In 2017 the American Society of Civil Engineers gave Texas a D+ rating for water and D rating for waste water. The combination of underinvested public health infrastructure with a mechanism for small cities to sell their systems at a premium to dedicated water companies underpins the strong attraction that US water stocks hold for us.

Growth

The company remains on track to grow customers at between 2% and 3% in 2019. Aqua invested USD133.8m in Q1 2019 to improve its infrastructure systems. To replace and expand its water utility infrastructure, the company expects to invest more than USD550m in 2019 and approximately USD1.4bn through 2021.

To date in 2019, the company's state subsidiaries in Ohio, Illinois and Pennsylvania have received rate awards or infrastructure surcharges totalling an estimated increase in annualized revenues of USD4.9m. Aqua currently has rate or surcharge proceedings pending in New Jersey, North Carolina and Ohio collectively totalling for USD6.3m. The timing and extent to which rate increases may be granted by the regulatory agencies will vary by state.

For Q1 2019 Aqua declared a quarterly cash dividend of USD0.2190 per share of common stock which represented 7% y-o-y growth.

Peoples transaction: break-up of the funds

Aqua has secured funding for the Peoples acquisition. Canada Pension Plan Investment Board (CPPIB) has acquired 21.3m newly issued shares of Aqua's common stock. CPPIB's investment is contingent upon the Peoples acquisition going ahead and getting final approval from the regulators. General corporate purposes include working capital and capital needs or repayment of certain revolving credit facility borrowings. During the Q1 2019 conference call Aqua management said, 'Our permanent financing plan targets a strong balance sheet and strong investment grade credit ratings for a fully regulated company.' We believe that Aqua will be able to maintain its credit ratings. Aqua America is rated Baa2 with stable outlook by Moody's. We set out our credit analysis below.

Sources and uses of funds

Sources of funds	USDm	Uses of funds	USDm
Common stock	1294	Peoples equity purchase price	2905
CPPIB Equity Investment	750	Assumption of Peoples debt	1370
Tangible equity units (mandatory convertible)	690	Private placement note refinancing	314
Debt	900	Transaction costs/ expenses	265
Assumption of Peoples debt	1370	General corporate purposes	150
Total Sources of funds	5004	Total uses of funds	5004

Source: Company presentation

Aqua has issued USD900m of senior notes at a weighted average yield of 3.96% with a weighted average maturity of 21 years. In addition to this, on 24 April, Aqua settled interest rate swaps (concurrent with the pricing of senior notes) that resulted in a payment by Aqua of USD83.5m compared with fair value of USD94.6m. Thus in the second quarter a beneficial charge in fair value of USD11.1m should be recorded.

Peoples transaction timeline visualised

Time line	Status
23-Oct-18	Aqua announced acquisition of peoples
13-Nov-18	Aqua files merger application with PA and WV PUCs
20-Nov-18	Aqua files merger application with KY PSC
28-Jan-19	Peoples filed a rate case for PA
8-Feb-19	Aqua filed a rate case settlement for PA
13-Mar-19	KY PSC approved merger application
27-Mar-19	Proposed merger settlement filed with WV PSC
29-Mar-19	Aqua announced USD750m equity investment from CPPIB
Apr-19	Aqua equity and debt offerings
Apr-19	WV PSC approved merger application
May-19	Aqua PA rate case expected to be in effect
4Q 2019	Targeted final resolution of PA merger proceedings
End 2019	Transaction expected to close

Source: Company presentation

Rate cases and surcharges

We can see from the table below that Aqua completed cUSD5m of rates and surcharges by Q1 2019 and has cUSD78m of rate cases and surcharges pending.

On 12 June 2019, Texas announced the adoption of Fair Market Value legislation for the purchase of the water and wastewater systems. Before these changes system values were determined by their depreciation cost, which generally did not reflect a reasonable market value for those assets and became a barrier to a sale.

Aqua's Chairman and CEO Christopher Franklin has said the new law encourages consolidation in the fragmented water and wastewater industry, enabling resources to be shared among a larger service area, which ultimately benefits customers.

Aqua 2019 rates and surcharges for water (W) and wastewater (WW)

State	Type	Annualised revenue increase (USD000)
Completed as at Q1 2019		
Illinois	Surcharge (W)	1394
Illinois	Surcharge (WW)	268
Ohio	Rate case (W)	974
Ohio	Surcharge (W)	2267
Pennsylvania	Surcharges (W/WW)	2
Total completed at Q1 2019		4905
Pending as at Q1 2019		
New Jersey	Rate case (W)	7202
North Carolina	Surcharge (W)	602
North Carolina	Surcharges (W/WW)	62
Ohio	Tax compliance surcharge	-3917
Ohio	Surcharge (W)	2335
Pennsylvania	Rate case (W)	58299
Pennsylvania	Rate case (WW)	13470
Total pending at Q1 2019		78053

Source: Company presentation

From the table below we believe that signed municipal contracts will help Aqua to reach its target of 2-3% customer growth for FY2019.

Signed municipal agreements at 1Q2019

Acquisitions	State	Type	Total customers	Rate base
New Garden	PA	WW	2106	29500
Schuykill	PA	WW	600	3600
Grant Park	IL	WW	540	2300
Cheltenham	PA	WW	10450	50250
Skyline	IL	W/WW	752	3550
East Norriton	PA	WW	4952	21000
Total			19400	110200

Source: Company presentation

2019 outlook

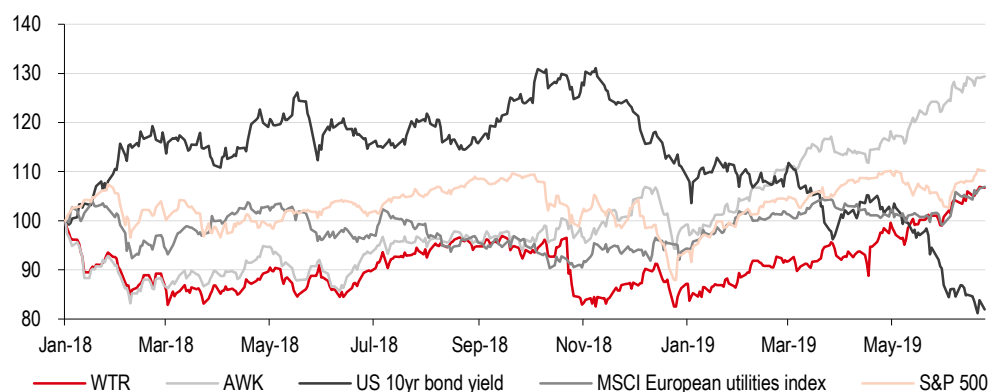
Aqua has guided for adjusted income of USD1.45 to USD1.50 per share (excluding Peoples) for 2019. Infrastructure investments of USD550m in 2019 for communities served by Aqua and investments of USD1.4bn to 2021 were confirmed at the Q1 to rehabilitate and strengthen systems. Aqua is targeting rate base growth of 7% in the water business through to 2021 and 8-10% in the gas business through to 2021. Aqua is targeting total customer growth of between 2-3% for FY2019. It will announce Q2 results on Wednesday, 7 August 2019.

Performance against peers

Aqua's share price has underperformed the S&P 500 by 3% since 1 January 2018, but it has outperformed by c5% YTD and c1.5% over 1 month. It appears that much of the scepticism about creating a multi-utility with the acquisition of Peoples has already been priced in. On our numbers, the deal is accretive in the first full year of the merged group and credit metrics remain on-track, see Credit metrics analysis below. On 2019e PE, it now trades at a discount to its water peer group and is in line with some of the US electricity utilities according to Refinitiv Datastream.

One more point to note is that the US Treasury 10 year yield is falling sharply. Aqua share price, as a defensive utility, is likely to be inversely correlated to bond yields.

Performance of Aqua America vs American Water Works vs UST 10yr vs MSCI European utilities index vs S&P 500 index



Source: Refinitiv DataStream

Change in estimates

We have updated the estimates based on the Q1 2019 results and to take account of the Pennsylvania rate case. This has impacted our estimates slightly. We had already assumed that the Peoples deal would not contribute to earnings until Q1 2020.

Change in estimates (USDm)

	2019e	2020e	2021e
EBIT			
Revised	365	578	604
Previous	365	578	604
Change	0%	0%	0%
Net income			
Revised	267	399	412
Previous	267	392	412
Change	0%	2%	0%
EPS (USD)			
Revised	1.50	1.59	1.65
Previous	1.50	1.58	1.66
Change	0%	1%	-1%
DPS (USD)			
Revised	0.91	0.99	1.07
Previous	0.91	0.99	1.07
Change	0%	0%	0%

Source: HSBC estimates

Credit metrics analysis

Aqua America is rated Baa2 with stable outlook by Moody's. To maintain this rating, Aqua will need to maintain RCF/Net debt in the range of 7-14% and FFO/Net debt in the range of 11-18%. From the calculated estimates below we can see that Aqua should be able to maintain the rating in the short term, but at the lower end of Moody's range of metrics.

Credit metrics analysis

	2019e	2020e	2021e
RCF/ Net debt	9.2%	7.8%	7.6%
FFO/ Net debt	14.8%	12.7%	12.5%

Source: HSBC estimates

Valuation and risks

We value Aqua America via three methodologies: DCF, dividend yield and the average of PE multiples and SOP (rate-based) valuation. Taking the average of the three approaches gives us our target price of USD45.5 (previously USD41).

In our DCF valuation, we have updated our assumption of beta from 0.60 to 0.58 to be in line with its market peers and have incorporated our updated estimates post Q1 2019 results. In our multiples-based valuation, we have updated the multiples in line with the market peers. This results in increase in PE multiple from 26.1x to 27.8x. Finally, in yield valuation, we have reduced our yield from 2.25% to 2% which is in line with its peers. Overall, these changes lead to an increased TP of USD45.5 from USD41. Our TP implies 12.5% upside; we reiterate our Buy rating as we believe the combination of regulated investment and earnings growth is attractive.

Summary of valuation (USD)

Particulars	New	Previous
Current price as on 26-June-19	40.5	NA
DCF (updated estimates, lower beta)	46.0	39.5
Yield 2% (previously 2.25%)	49.4	43.9
SOP & Peer multiple (updated multiples)	41.0	39.6
Target price (average rounded)	45.5	41.0
Upside/ downside to target price	12.5%	NA
Rating	Buy	Buy

Source: HSBC estimates

WACC inputs and DCF valuation

WACC inputs		Equity Valuation	USDm
Cost of debt		+ DCF value	15,725
Pre-tax cost of debt	3.9%	+ ST marketable assets	-
Marginal tax rate	11.0%	+ Value of associates	-
Cost of equity		+ Other assets	788
Risk-free rate	3.0%	EV (asset side)	16,513
Equity risk premium	3.0%	- Net debt (+ if Net cash)	(5,000)
Additional risk		- Quasi debt (pension)	-
Beta (previously 0.60)	0.58	- Value of minorities	0
Debt - 34%	3.5%	Total non-equity claims	(5,000)
Equity - 66%	4.7%	Value of equity	11,513
Cost of capital	4.3%	Value per share (USD)	46.0

Source: HSBC estimates

Sum-of-the-parts (SOP) and Multiples valuation

	2020e Rate base
Regulated water	
Pennsylvania	3,673
Ohio	363
Illinois	366
Texas	269
New Jersey	196
North Carolina	233
Indiana	95
Virginia	86
Regulated gas	2,733
Total	8,014
Price to rate base	14,424
Non-regulated 2020 PE multiple	13
Net debt 2020e, pensions & Minority	(5,000)
Estimated equity value	9,437
Estimated equity value per share (USD)	37.7
PE Multiple valuation	
2020 earnings	1.59
2020 PE sector average	27.8
Value per share	44.3

Average of rate base valuation and PE multiple valuation **41.0**

Source: HSBC estimates

Downside risks

Aqua America fails to achieve the desired rate case revisions and infrastructure surcharges; it lacks organic growth from asset replacement; it cannot take advantage of the FV market legislation opportunity; its dividend grows at a lower rate than we assume.

It is not able to gain the Fair Market Value premium required in the systems it wants to acquire in Pennsylvania. Its current acquisitions of systems – New Garden and Limerick – are facing challenges to the premium proposed by Aqua.

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Verity Mitchell and Adam Dickens

Important disclosures

Equities: Stock ratings and basis for financial analysis

HSBC and its affiliates, including the issuer of this report ("HSBC") believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations and that investors utilise various disciplines and investment horizons when making investment decisions. Ratings should not be used or relied on in isolation as investment advice. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations and therefore investors should carefully read the definitions of the ratings used in each research report. Further, investors should carefully read the entire research report and not infer its contents from the rating because research reports contain more complete information concerning the analysts' views and the basis for the rating.

From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 27 June 2019, the distribution of all independent ratings published by HSBC is as follows:

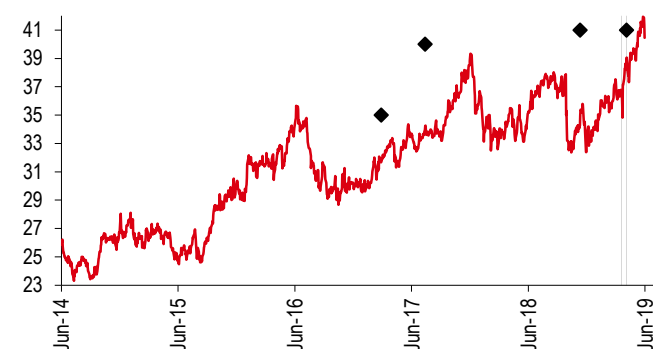
Buy	52%	(29% of these provided with Investment Banking Services)
Hold	38%	(27% of these provided with Investment Banking Services)
Sell	10%	(21% of these provided with Investment Banking Services)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see "Stock ratings and basis for financial analysis" above.

For the distribution of non-independent ratings published by HSBC, please see the disclosure page available at <http://www.hsbcnet.com/gbm/financial-regulation/investment-recommendations-disclosures>.

Share price and rating changes for long-term investment opportunities

Aqua America (WTR.N) share price performance USD Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
Buy	Restricted	15 Apr 2019	
Restricted	Buy	30 Apr 2019	Verity Mitchell
Target price	Value	Date	Analyst
Price 1	35.00	24 Mar 2017	Verity Mitchell
Price 2	40.00	08 Aug 2017	Verity Mitchell
Price 3	41.00	06 Dec 2018	Verity Mitchell
Price 4	Restricted	15 Apr 2019	
Price 5	41.00	30 Apr 2019	Verity Mitchell

Source: HSBC

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Disclosure checklist

Company	Ticker	Recent price	Price date	Disclosure
AQUA AMERICA	WTR.N	40.45	26 Jun 2019	1, 2, 5, 6

Source: HSBC

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